NORTHERN CAPE DEPARTMENT OF
ECONOMIC DEVELOPMENT AND TOURISM

RESEARCH AND DEVELOPMENT UNIT

ANALYSIS OF THE UPTAKE OF THE DTI INCENTIVE SCHEMES IN THE NORTHERN CAPE.

IUNE

STRATEGIC INITIATIVE-QUARTER 1

Contents

1. Background

In line with the industrialisation trajectory of South Africa, the Department of Trade and Industry (herein referred to as the DTI), provides financial support in the form of incentives to qualifying enterprises in various sectors of the economy. This is in order to foster industrial competitiveness and broaden the participation of especially small and local enterprises in the economy. Broadly, the DTI incentives fall into three categories, financial (e.g. grants and loans at beneficial rates), fiscal (e.g. reduced tax rates) and other such as subsidised infrastructure or services, access to preferential markets, special economic zones (SEZ) and regulatory allowances.

Incentive performance year end reports from the DTI confirm that the uptake of incentives in Northern Cape is unsatisfactory. This is despite the benefits of incentives for example, reduction of costs thereby boosting the manufacturing sector. The current unsatisfactory uptake of incentive by manufacturers in the province thus negatively impacts the overall provincial economic performance. The Research and Development unit deemed it necessary to conduct an investigative research among manufacturers in the province, in order to ascertain why the incentive uptake in the province is unsatisfactory and propose the necessary interventions to turn the situation around. This report firstly outlines the research methodology, then lists the DTI incentives and their current uptake in the province. Lastly, it captures the findings of the interviews conducted with the manufacturers in the province, as to the current status on incentives' uptake; and concludes with set of recommendations.

2. Research Methodology

Data for this survey was collected using the telephone survey method, due to the large scale accessibility associated with it. A database of manufacturers was sourced from different sources including Northern Cape Chamber of Commerce and Industry (NOCCI) and the Sector Development sub-programme within the Northern Cape Department of Economic Development and Tourism.

One of the key elements in conducting surveys and other data gathering methods is efficiency. Since the sampled manufacturers are located in all five districts of the province a telephonic survey enables data to be collected from geographically scattered samples more quickly and at a reasonable cost. However, the problem with telephonic surveys' is obtaining adequate response rates. This is influenced by either unavailability of suitable respondents or refusal by some to take part in the survey.

In the event that there is no performance or uptake information in the report regarding a particular incentive, it means that it was not reported by the DTI; as most of the data on the uptake is sourced from the report issued by the Industrial Development Incentive Division (IDIAD) within the DTI. Despite numerous attempts, the project team was not successful in accessing additional information on the number of applications and approvals of different schemes except for the Manufacturing Investment Programme (MIP).

2.1Sampling

The sample composition for the survey is representative of manufacturers across various industries from all districts of the province. Simple random sampling method was utilized to select the target sample.

2.1.1Questionnaire design

The questionnaires entailed a mixture of open-ended and closed questions, so as to enhance the response rate. Open-ended questions provide respondents with an opportunity to answer in detail and clarify their responses, whilst closed questions are easier to code, and analyse.

2.2Executing the survey

Data for the survey was collected via telephonic interviews with manufacturers. Since the survey could possibly interrupt and interfere with the business time of respondents, provision was made for respondents to participate in the survey via fax or email, on preference. However, participation via fax or e-mail in the survey was strongly guided as it had the potential to lower response rate.

2.2.1Analysing the data gathered

Survey data was processed using excel. A higher response rate implies more data for interpretation and analysis. Tables and graphs are used to highlight and explain findings.

3. Incentives offered by the DTI

This section aims to discuss briefly the incentives offered by the DTI and also reporting on the performance of the Northern Cape thus far in regard to applications and approvals of different incentives schemes as reported by the Industrial Development Incentive Administration Division (IDIAD), within the DTI.

3.1 SMME Development Incentives

3.1.1 Black Business Supplier Development Programme (BBSDP)

BBSDP is a cost-sharing grant offered to small black-owned enterprises to assist them in improving their competitiveness and sustainability in order to become part of the mainstream economy and create employment. BBSDP provides a grant to a maximum of R1 000 000 (R 800 000 maximum for tools, machinery and equipment and R200 000 maximum for eligible enterprises to improve their corporate governance, management, marketing, productivity and use of modern technology).

Objectives	Eligible Enterprises
To improve the sustainability of black – owned enterprises, thereby increasing employment	▪ Majority black owned enterprises with a predominantly black management team
	▪ Enterprises with a turnover of R250 000 to R35 million per year
	▪ The enterprises must have been operating and trading for at least one year

Between 2011/12 and 2012/13 reporting periods, there was a marginal improvement in the uptake of this incentive in the province, as **the number of enterprise approvals increased from one to seven**. Despite this increase, it must be noted that the Northern Cape still recorded the lowest uptake level when compared to other provinces. The province with the highest approval was Gauteng with 429 enterprises approved in 2012/13.

3.1.2 Co-operative Incentive Scheme (CIS)

The Co-operative Incentive Scheme (CIS) is a 90:10 matching cash grant for registered primary co-operatives (a primary co-operative consists of five or more members who are historically disadvantaged individuals). The CIS is an incentive for co-operative enterprises in the emerging economy to acquire competitive business development, and the maximum grant that can be offered to one co-operative entity under the scheme is R350 000.

Objectives	Eligible Enterprises
Improve the viability and competitiveness of co-operative enterprises by lowering the cost of doing business	Incorporated and registered in South Africa in terms of the Co-operatives Act of 2005
Assist co-operatives to acquire their start-up requirements	Emerging co-operatives owned by historically disadvantaged individuals
Build an initial asset base for emerging co-operatives to enable them to leverage other support	Rural and Semi-Urban based enterprises
Provide an incentive that supports broad-based black economic empowerment	Enterprises that are biased towards women, youth and people with disability

It is concerning to note that during the 2011/12 financial year **none of the co-operatives in the Northern Cape** received a CIS grant from the DTI, as the CIS is one of the most well-known incentives offered by the DTI. The province was outdone by Limpopo, which had 41 co-operatives approved for this particular incentive. In 2012/13, there was however an improvement in the provincial uptake level, as six **co-operatives in the province received CIS grants totalling R 1.7 million.** Again, the province still lags behind when compared to other provinces in terms of the uptake.

3.1.3 The Technology and Human Resources for Industry Programme (THRIP)

THRIP is a partnership programme funded by the DTI and managed by the National Research Foundation (NRF). On a cost-sharing basis with the specific industry, THRIP supports science, engineering and technology research collaborations focused on addressing the technology needs of participating firms and encouraging the development and mobility of research personnel and students among participating organisations. **No applications were received from the Northern Cape since inception of this programme.**

This might be justified by the fact that NRF issues the funds to universities undertaking research projects. The uptake of this incentive may therefore possibly improve, given the current plans to establish the Sol Plaatjie University.

3.1.4 Incubation Support Programme (ISP)

The DTI initiated the ISP as a grant to develop incubators into successful enterprises with the potential to revitalise communities and strengthen local and national economies. The ISP encourages partnerships, in which big businesses assist SMMEs with skills transfer, enterprise development, supplier development and marketing opportunities.

Programme description	Qualifying costs
The objective of the programme is to encourage private-sector partnerships with government to support incubators to develop SMMEs and nurture them into sustainable enterprises that can provide employment and contribute to economic growth	Business development services (e.g. business advisory services, coaching and mentoring, training, facilitation of funding, production efficiency and improvement, quality and standards acquisition)
The programme aims to provide funding for incubators that can generate revenue through the provision of services and initiatives that can be self-sustainable	Feasibility studies for establishing incubators; product or service development
The ISP is available on a cost-sharing basis between the government and private sector	Machinery, equipment and tools
It is available for infrastructure and business development services necessary to mentor and grow enterprises that within two to three years they will graduate to a level of self-sustainability	Infrastructure linked to incubators (buildings, furniture); ICT and operational costs

Since the start of the programme in October 2012, 14 incubators have been approved to the value of R168.6 million, which is payable to the incubators over the next three years. During 2012/12, 36% (five) incubators were approved from Gauteng, 29% (four) each from the Eastern Cape and KwaZulu-Natal, and 7% (one) from the Free State (The Industrial Development Incentive Admnistration Division(IDIAD), 2012-13). **No incubator from Northern Cape received the ISP grant since its inception.**

3.2 Industrial Development-Related Incentives

3.2.1 Business Process Services (BPS) Incentive

The South African Government implemented a Business Process Outsourcing and Offshoring (BPO & O) incentive programme as from July 2007. Between July 2007 and March 2010, the incentive resulted in the creation of at least 6 000 new jobs and attracted R 303 million in direct investment (Department of Trade and Industry (DTI), 2012/13).

Objectives	Eligible Enterprises
The BPS incentive aims to attract investment and create employment in South Africa via offshoring activities	Must be performing BPS activities
	May be involved in starting a new operation or expanding an existing operation in order to perform BPS activities
	Must, by the end of three years from the start of operation of the new project or the expansion, have created at least 50 new offshore jobs in South Africa
	Must commence its commercial operations no later than six months from the date on which the BPS incentive grant was approved

Twelve projects were approved in 2012/13 for a grant amount of R 41 million, a 48% drop in approvals from 2011/12 when 23 projects were approved for a grant amount of R 184.7 million. Of the 12 projects approved in 2012/13, five were from Gauteng, four from KwaZulu-Natal and three from Western Cape (The Industrial Development Incentive

Admnistration Division(IDIAD), 2012-13). **As with the previous incentives no projects from the Northern Cape were approved.**

3.2.2 Capital Projects Feasibility Programme (CPFP)

The CPFP is a cost-sharing programme that contributes to the cost of feasibility studies likely to lead to projects outside South Africa, which will increase local exports and stimulate the market for South African capital goods and services. The capital projects industry is highly labour-intensive and recognised by IPAP 2 as having the potential to create 145 478 direct jobs by 2020. The programme's contribution is in the form of a cost-sharing grant falling within the range of R 100 00 to a maximum of 55% of the total cost of the feasibility study for projects in Africa and 50% for projects outside Africa.

Objectives	Eligible enterprises
Increase SA exports, stimulate growth for the local capital goods and services sector and allied industries	South African enterprises
Attract higher levels of domestic and foreign investment	
Strengthen the international competitiveness of South African enterprises	
Creation of jobs	

During 2012/13 nine applications to the value of R39.5 million were approved for enterprises in the engineering sector and based in Gauteng and Western Cape to conduct feasibility studies for potential projects in Burundi (two), Tanzania (one), Mozambique (one), Ethiopia (one), Ghana (one) and Zambia (three). Of this total, seven feasibility studies are still in progress, while two have been cancelled for reasons including not being able to obtain mining licences and political challenges in the countries (The Industrial Development Incentive Admnistration Division(IDIAD), 2012-13). **There were no enterprises from the province that received the CPFP incentive in the 2012/13 financial year.**

3.2.3 Clothing and Textile Competitiveness Improvement Programme (CTCIP)

The CTCIP aims to build capacity among clothing and textile manufacturers and in other areas of the apparel value chain in South Africa, to enable them to effectively supply their customers and compete on a global scale. Such competitiveness encompasses issues of cost, quality, flexibility, reliability, adaptability and the capability to innovate.

Objective	Eligible Enterprises
The main objective of the CTCIP is to create a group of globally competitive clothing and textile companies thus ensuring a sustainable environment that will retain and grow employment levels	Clothing and textile manufacturers

In South Africa, this sub-sector has traditionally been dominated by KwaZulu-Natal, the Eastern and Western Cape provinces although their market share is decreasing because of imports from Asian countries. The textile production in the Northern Cape remains very small. At the time of writing the project team was not able to secure information from DTI regarding the uptake and approval of this incentive scheme.

3.2.4 Manufacturing Competitiveness Enhancement Programme (MCEP)

During the launch of the programme on 15 May 2012, Minister of Trade and Industry Dr Rob Davies (MP) stated that manufacturing and industrialisation are critical to South Africa's long-term growth and economic well-being. The DTI introduced the MCEP programme to assist local manufacturers to improve enterprise competitiveness and job retention. The MCEP consists of two key components one managed by the DTI and the other one managed by IDC.

During the 2012/13 financial year, the MCEP approved 197 projects to assist manufacturing enterprises across all provinces with a total of R983 million and total projected investment of approximately R4.2 billion (The Industrial Development Incentive Admnistration Division(IDIAD), 2012-13). Apart from stimulating investment, the MCEP helps create an enabling environment for approved enterprises to retain and create jobs. At the application stage, approved enterprises reported a total of 33 372 jobs that are to be sustained with the support from the MCEP.

Of the 197 approved projects, the Capital Investment component had the most number of approvals (192), followed by the Enterprise Level Competitiveness Improvement (three) and the Green Technology and Resource Efficiency (two) components. **The provincial distribution of MCEP approvals shows Gauteng with 73, Western Cape with 66 and KwaZulu-Natal with 29, therefore the three leading provinces in the number of approvals. There were no MCEP approvals in the Northern Cape during the 2012/13 financial year.**

3.2.5 Manufacturing Investment Programme (MIP)

The MIP is a reimbursable cash grant for local and foreign-owned manufacturers that wish to establish a new production facility; expand an existing production facility; or upgrade an existing facility in the clothing and textiles sector. The Investment grants of 15% to 30% of the investment cost of qualifying assets (machinery and equipment, buildings and commercial vehicles) for new establishments or expansions.

Objectives	Eligible Enterprises
Stimulate investment in manufacturing	Investors in new and expanding projects in the South African manufacturing industry
Increase employment opportunities	
Sustain enterprise growth	
Support large-to medium-sized investment	

projects	

During 2012/13, a total of 548 MIP projects were approved to a total grant value of R1.8 billion, 71 projects less than the 610 approved during 2011/12 to the value of R 1.5 billion. Of the 548 MIP approved projects during this period, 204 were from Gauteng to the value of R 745 million; 115 from Western Cape for R 250 million; 108 from KwaZulu-Natal for R370 million; and 52 from the Eastern Cape for R166 million. The other provinces had 22 approvals and less, **with Northern Cape the lowest with eight approvals to the value of R 40 million** (The Industrial Development Incentive Admnistration Division(IDIAD), 2012-13).

The DTI has provided the research team with the number of applications and also the approval of the MIP in the Northern Cape from 2008 to 2014.

Table 2.1: MIP applications and approvals (2008-2014)

Period	Applications	Approval
2008/09	2	1
2009/10	5	2
2010/11	7	5
2011/12	6	5
2012/13	8	8
2013/14	4[1]	4

Source: (the Department of Trade and Industry, 2014)

Based on Table 2.1, 32 MIP applications have been received from the Northern Cape based businesses from 2008 to mid-2014. Out of the 32 applications received for this particular incentive, 25 were approved; showing improvement in the number of approvals for the Northern Cape for this incentive. In the financial year 2012/13, all applications made by

[1] Subject to change

businesses in the province were approved. With a 100% approval for the past two consecutive financial years, it can be stated that the uptake of the MIP is the most satisfactory in the province.

3.2.6 Foreign Investment Grant (FIG)

The FIG compensates qualifying foreign investors for costs incurred in moving qualifying new machinery and equipment (vehicles excluded) from abroad to the Republic of South Africa.

Objectives	Eligible Enterprises
Compensates qualifying foreign investors for the costs of moving qualifying new machinery and equipment from abroad to South Africa	Foreign investors that have been approved for the MIP

Benefits

A cash grant, to a maximum of R10 million, but the lower cost of:

- 15% of the value of new machinery and equipment; or
- The actual relocation costs of new machinery and equipment.

3.2.7 Production Incentive Programme (PIP)

The Production Incentives Programme (PIP) forms part of the overall Clothing and Textile Competitive Programme (CTCP) and flows from the implementation by the DTI, of customised sector programmes for the clothing, textiles, and footwear and leather goods industries. Under the PIP, applicants can use the full benefit as either an upgrade grant facility or an interest subsidy facility, or a combination of both[2]. The incentive benefit is equal to 10% of a company's manufacturing value addition for every financial year ending 31 March.

[2] For further information on incentives see www.dti.gov.za

Objectives	Eligible Enterprises
Assist the industry in upgrading its processes, products and people	Clothing manufacturers
	Textile manufacturers
	Cut, Make and Trim (CMT) operators
	Footwear manufacturers
	Leather goods manufacturers
	Leather processors (specifically for leather goods and footwear industries).

3.2.8 Sector- Specific Assistance Scheme (SSAS)

The SSAS was established in 2009 to compensate South African emerging exporters for costs incurred with respect to export activities. The main objective of the scheme is to develop new export markets, stimulate job creation, broaden export base, propose solutions to factors inhibiting export growth and promote the broader participation of black-owned SMMEs in the economy (The Industrial Development Incentive Admnistration Division(IDIAD), 2012-13). The SSAS is a reimbursable 80:20 cost-sharing grant offering financial support to export councils, joint action groups and industry associations. The scheme comprises of two sub-programmes, namely Generic Funding and Project Funding for Emerging Exporters (PFEE).

Eligible Enterprises
▪ **Non-profit business organisations in sectors and sub-sectors of the industry prioritised by the DTI, in respect of generic and project funding provided that the**

purpose of the organisation and/or its proposed project aims to conform to the objectives of Trade and Investment South Africa (TISA).

3.2.9 Support Programme for Industrial Innovation (SPII)

The SPII is a support programme of the DTI, managed by the Industrial Development Corporation (IDC). The SPII is designed to promote technology development in industry in South Africa through the provision of financial assistance for the development of innovative products and/or processes. The SPII specifically focuses on the development phase, which begins at the conclusion of basic research and ends when a pre-production prototype has been produced.

3.3 Women Economic Empowerment Incentives

3.3.1 Bavumile

South African women are gifted and talented in designing and crafting fashionable products for both the local and international markets, mainly promoting South African culture and heritage. However, one of their greatest challenges is to produce quality products that can easily occupy shelves of many local and international retail shops and boutiques (Department of Trade and Industry (DTI), 2012/13).

Bavumile seeks to ensure the quality production of commercially viable products that are produced by women by imparting relevant skills and expertise.

3.3.2 Isivande Women's Fund (IWF)

IWF is an exclusive women's fund established by the DTI. The fund aims at accelerating women's economic empowerment by providing more affordable, usable and responsive finance. IWF targets formally registered enterprises, 60% of which are owned and/or managed by women. The enterprises must have been existing and operating for 6 months or more and must fall within a loan range of R 30 000 to R 2 million. At the time of writing, the project team did not manage to get the number of applications from the Northern Cape.

3.4 Trade, Export and Investment Incentives

3.4.1 Critical Infrastructure Programme (CIP)

The CIP is a 70/30 matching grant that enables and facilitates the establishment of strategic investment in the country. The programme supports infrastructure in mining, manufacturing and services on a reimbursement basis and will contribute to the National Development Plan, which emphasises the need to invest in strong networks of economic infrastructure.

The CIP grant is made available to approved eligible enterprises upon the completion of the infrastructure project concerned. Infrastructure for which funds are required is deemed to be “critical”; if the investment would not take place without the said infrastructure or the said investment would not operate optimally. A cash grant to a maximum of 30% capped at R30 million for the development cost of qualifying infrastructure.

Eligible Enterprises	**Objectives**
Private investors/companies	Support competitiveness by lowering business costs and risks
Municipalities	Provide targeted financial support for physical infrastructure
	Stimulate upstream and downstream linkages

A total of 10 applications were received in 2011/12 and six were approved. Similarly, six projects were approved in 2012/13 out of 13 applications received by the DTI. **No applications were approved from the Northern Cape and Free State in these two financial years** suggesting the possibility that no mega projects are taking place in these provinces or that they possibly have sufficient capital to fund the projects, or the enterprises are not aware of the CIP grant (The Industrial Development Incentive Admnistration Division(IDIAD), 2012-13). In 2012/13, four were received from Gauteng.

3.4.2 Export Marketing and Investment Assistance (EMIA)

The EMIA programme was established in 1997 with the primary objective to develop export markets for South African products and services and to recruit new foreign direct investment (FDI) into the country.

Objectives	Eligible Enterprises
Provide marketing assistance to develop new export markets and grow existing export markets	South African manufacturers and exporters
Assist with the identification of new export markets through market research	South African export trading houses representing at least three SMMEs or businesses owned by Historically Disadvantaged Individuals (HDIs)
Assist companies to increase their competitiveness by supporting patent registrations, quality marks and product marks	South African commission agents representing at least three SMMEs/HDI-owned businesses
Assist with facilitation to grow FDI through missions and FDI research	

Increase the contribution of black-owned businesses and SMMEs to South Africa's economy	South African export councils, industry association and JAGs representing at least five South African entities

In 2012/13, EMIA assisted 1 018 emerging exporters with approvals of an approximate value of R70 million. The large majority of approvals were white-owned SMMEs (489), followed by black male-owned (327) and female-owned (89) SMMEs (The Industrial Development Incentive Admnistration Division(IDIAD), 2012-13).

In 2012/13, Gauteng, the Western Cape and KwaZulu-Natal provinces accessed a substantial number of approvals, recording figures of 488 (48%), 373 (37%) and 67 (7%) respectively. However, the increase in approvals from the previous financial year (2011/12) for provinces such as Limpopo, Mpumalanga, the Eastern Cape and North West is notable. This can be attributed to IDIAD's informal partnerships with local economic development agencies such as the Limpopo Local Economic Development Resource Centre, Mpumalanga Economic Growth Agency and North West Small Enterprises Development Agency to create awareness through workshops. **In the Northern Cape, there were no approvals for the two previous financial years, indicating probable lack of export activities in the region** (The Industrial Development Incentive Admnistration Division(IDIAD), 2012-13).

The DTI through the EMIA programme plays a role of creating an enabling environment for supported enterprises to create and sustain jobs. During 2012/13, 2 691 jobs were supported, of which 910 (34%) were permanent and 1 781 (66%) temporary. Most of the jobs created by enterprises were based in Gauteng (1 382) and the Western Cape (1 022).

3.4.3 Automotive Investment Scheme (AIS)

The AIS is an incentive designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain.

The AIS provides taxable cash grant of 20% of the value of qualifying investment in productive assets approved by the DTI. An additional taxable cash grant of 5% or 10% may be available to projects that are found to be strategic by the DTI.

Objectives	Eligible Enterprises
Strengthen and diversify the sector through investment in new and/or replacement models and components	Light motor vehicle manufacturers that have achieved or can demonstrate that they will achieve a minimum 50 000 annual units of production per plant, within a period of three years
Increase plant production volumes	Component or deemed component manufacturers that are part of the Original Equipment Manufacturer (OEM) supply chain and will achieve at least 25% of a total entity of R10 million by the end of the first full year of commercial production as part of a light motor vehicle manufacturer supply chain, locally and/or internationally.
Sustain employment and/or strengthen the automotive value chain	

During 2012/13, 29 AIS projects were approved to the value of R407 million, compared to the 88 projects approved in 2011/12 to the value of R1.3 billion. The 29 projects, of which 25 were Component Manufacturer (CM) and four Original Equipment Manufacturer (OEM) projects, had a total projected investment of R1.8 billion, a reduction of R 3.1 billion from the R4.9 billion projected in 2012/13.Of the 25 CM approved projects, 11 were located in the Eastern Cape, six in Gauteng, six in KwaZulu-Natal, one in the North West and one in the Western Cape.

In 2011/12, 88 projects were approved, with the majority (37) located in Gauteng, followed by 32 in the Eastern Cape, 13 in KwaZulu-Natal, five in the North West and one in the Western Cape. The number of CM projects in the Eastern Cape can be ascribed to the two OEM projects approved in the province with a projected investment of R1.2 billion (The Industrial Development Incentive Admnistration Division(IDIAD), 2012-13). There are no projects approved in the Northern Cape for the two financial years, this might be attributed to non-existence of the automotive industry in the province.

3.4.4 Section 12I Tax Allowance Incentive (12I TAI)

Objectives	Targeted Enterprises
Investment in manufacturing assets, to improve the productivity of the South African manufacturing sector	A Greenfield project (new project)
Training of personnel; to improve labour productivity and the skills profile of the labour force	A Brownfield project (expansion or upgrade)
	Classified under "Major Division 3: Manufacturing in the SIC codes"

In 2012/13, the DTI approved 12 12I tax allowance projects to a total tax allowance value of R3.3 billion and a training allowance of R 50 million, thus achieving the set targets. This was made possible through constant engagements with consulting firms that deal with 12I projects, as well as assisting applicants to correctly fill out application forms.

Of the 12 approved projects, four were from Gauteng, three from KwaZulu-Natal, two from the Eastern Cape and one each from the Free State, Western Cape and North West. **No projects were approved from the Northern Cape, Limpopo and Mpumalanga.** The two approved Eastern Cape projects received the highest tax allowance of R 1.1 billion (33%) and the highest projected investment of R 3.4 billion (The Industrial Development Incentive Admnistration Division(IDIAD), 2012-13).

3.4.5 Aquaculture Development and Enhancement Programme (ADEP)

The ADEP was launched by the Minister of Trade and Industry in March 2013. The programme considers projects that started production from September 2012. As at 31 March 2013, six applications had been received by the DTI, four from the Western Cape, one from Gauteng and one from the Eastern Cape. No applications were approved during 2012/13 (The Industrial Development Incentive Admnistration Division(IDIAD), 2012-13).

Objectives	Eligible Enterprises
▪ To increase production	Available to South African registered entities engaged in Primary, Secondary and ancillary activities in both marine and freshwater
▪ To sustain and create jobs	
▪ To encourage geographical spread	
▪ Broaden Participation	

3.4.6 Film and Television Incentive

The South African Government offers a package of incentives to promote its film production and post-production industry, which includes the Foreign Film and Television Production and Post-Production Incentive and South African Film and Television Production and Co-productive incentive.

The Foreign Film and Television Production and Post-Production Incentive aims to attract foreign-based film productions to shoot on a location in South Africa and conduct post-production activities in the country. The South African Film and Television Production and Co-Production incentive aims to assist local film producers in the production of local content.

The incentive categories aim to support the local film industry and encourage and attract large budget films, television productions, and post-production work that will contribute towards employment creation, enhancement of the international profile and increase the country's creative and technical skills base.

Foreign Film and Television Production and Post-Production Incentive

Eligible Enterprises
▪ Foreign-owned qualifying productions with a minimum of Qualifying South African Production Expenditure (QSAPE) of R 12 million and above, provided that at least 50% of principal photography is done in South Africa, for a minimum of four weeks
▪ An applicant must be a Special Purpose Corporate Vehicle (SPCV) incorporated in the Republic of South Africa solely for the purpose of the production of the film or television or post-production project
▪ An applicant must be the entity responsible for all activities involved in the making of the production in South Africa and must have access to full financial information for the whole production worldwide
▪ Only one entity per production is eligible for the incentive

South African Film and Television Production and Co-Production Incentive

Eligible Enterprises
▪ The incentive is available to qualifying South African productions and official treaty co-productions with a total of R2.5 million and above
▪ Special Purpose Corporate Vehicle (SPCV) incorporated in the Republic of South Africa solely for the purpose of the production of the film or television project
▪ The SPCV and the parent company(ies) must have a majority of South African shareholders, of whom at least one must play an active role in the production and be credited in that role
▪ Only one film production, television drama or documentary series per entity is eligible for the incentive
▪ The following formats are eligible: feature films, television drama series, tele-movies, documentaries and animation
▪ An applicant must be the entity responsible for all activities involved in the production of the film in South Africa and must have access to full financial information for the whole production

A total of 74 Film and TV production were approved in 2012/13, a marginal decrease/increase from the 72 approved in 2011/12. Of these 71, 48 were South African productions, 10 co-production, 12 foreign productions and one post-production. In 2012/13, a total of 689 shooting weeks were recorded across all categories of the Film and TV Production Incentive, compared to the 559 shooting weeks recorded in 2012/12.

The 494 shooting weeks for South African Production were predominantly in Western Cape, which recorded 296 shooting weeks, followed by Gauteng with 133, Limpopo with 20, the Northern Cape with 13 and other provinces recording less than 10 shooting weeks. Likewise, the 98 shooting weeks for Foreign Production were mainly in the Western Cape, which recorded 81 weeks, followed by Gauteng with 17 and none for the other provinces including Northern Cape. Eighty-four of the 97 shooting weeks for Co-Production took place in the Western Cape, five in Kwazulu-Natal, four in Gauteng and Four in the North West (The Industrial Development Incentive Admnistration Division(IDIAD), 2012-13).

3.4.7 Tourism Support Programme

A decision was taken by Cabinet to transfer the administration of the Tourism Support Programme (TSP) to the National Department of Tourism as of 01 October 2012. Minister Rob Davies announced that the decision was taken in line with the Industrial Policy Action Plan to transfer the tourism policy work and consequently the tourism incentive scheme to the National Department of Tourism. This means that the National Department of Tourism will in future also develop and implement an incentive that is better aligned with the current strategic priorities of the tourism[3].

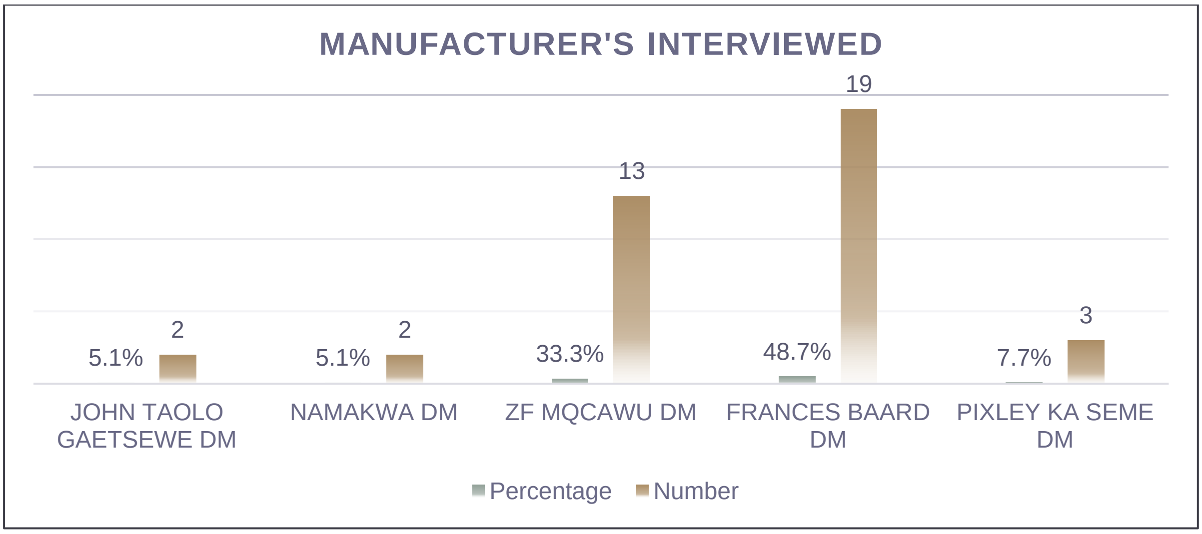
4. FINDINGS

The purpose of this sub-section is to report on the findings of the research team when interviewing different manufacturers in the province regarding the DTI's incentives.

[3] Information was obtained from www.dti.gov.za

4.1 Number of manufacturers interviewed per districts

Figure 4.1 depicts the number of manufacturers interviewed.

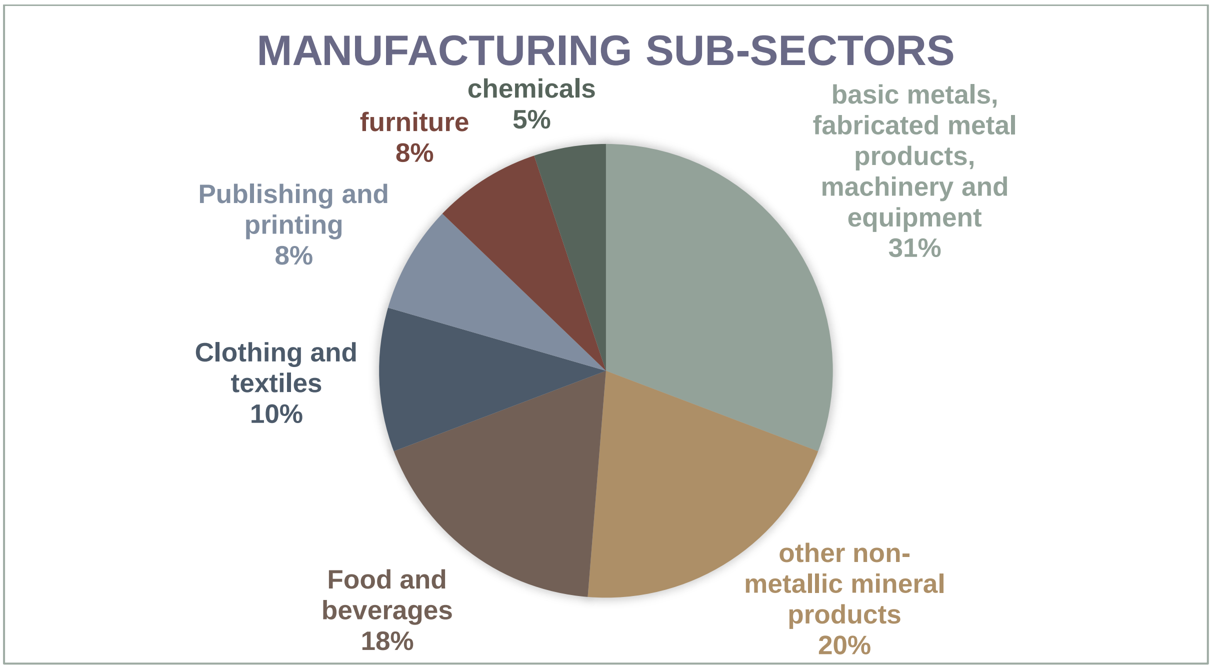


Approximately 39 manufacturers were interviewed by the project team and 48.7% of them were from Frances Baard; particularly Sol Plaatjie Local Municipality, followed by ZF Mgcawu (33.3%) as these two districts have the highest number of manufacturers in the province. Pixley Ka-Seme, John Taolo Gaetsewe and Namakwa District Municipalities had relatively low numbers of manufacturers that were interviewed. This is attributed to the number of manufacturers listed in the current database available, as well as the willingness of manufacturers to participate in the survey.

4.2 Manufacturers by sub-sectors

Standard Industrial Classification (SIC) codes were used to classify the manufacturers interviewed into different Manufacturing sub-sectors. Figure 4-2 depicts manufacturers interviewed by sub-sector.

Figure 4-2: Manufacturers interviewed by sub-sector



Source: (Research and Development, 2014)

Based on the above figure, 31% of manufacturers interviewed operate in the metals, machinery industry mostly targeting mines, and also general steelworks; 20% are classed under the non-metallic mineral products; which also includes brick making and other products targeting the construction industry. Other manufacturers operate in sectors like food and beverages, clothing and textiles accounted for 18% and 10% respectively.

4.2.1 Classification of the Sampled Manufacturers

The sample of manufacturers are classified according to size of the business on the basis of annual turnover and number of employees. The more the number of employees and the larger the annual revenue, then by implication the bigger and well established a manufacturer is classified.

In the overall, the interviewed manufacturers are employers to a total estimated workforce of 1 603 employees, comprising of 1093 permanent and 510 seasonal/ part-time workers. The majority of the manufacturers (46.2%) reported that their annual turnover is between R 150 000 to R 5 million, while 12.8% indicated annual income earnings of between R 10 million and R 20 million. It can then be concluded that most manufacturers operating in

Northern Cape are small enterprises. National Small Business Act defines a small enterprise as business that has less than 20 employees and with an annual turnover of less than R 4 million. Only 6 manufacturers interviewed reported annual income earnings below R 150 000 and employing far less amount of workers. Redsun Dried Fruit has an annual revenue of more than R 100 million; which makes them the biggest company interviewed by the research team in terms of revenue. An additional 15.4% of manufacturers were not willing to disclose their annual turnover.

4.3 Discussion

The research findings clearly reveal that the uptake of incentives in the province is unsatisfactory. Currently, only four out of the twenty two[4] DTI incentives are being accessed by provincial manufacturers and these are the Black Business Supplier Development Programme, Co-operatives Incentive Scheme, Manufacturing Investment Programme as well as the Film and Television Incentive. Although there have been marginal improvements in the uptake of some of the incentives in the province between 2011/12 and 2012/13 reporting periods, the majority of manufacturers in the province do not make use of the available incentives.

It is concerning that at the given level of the provincial uptake of these incentives, the province is the slowest when compared to other provinces (including Limpopo, Eastern Cape and North West). In some instances the province is the only exception in benefitting from the incentives. A point in case is the EMIA, which begs a question whether the province has no competitive exports at all. Another example, is the CIP where together with the Free State, the province has no uptake of this incentive despite the strategic importance of infrastructure in development.

[4] Excludes sector specific incentives administered by DME,DoA,DoT

By and large an overarching finding is that there is a lack of awareness of the DTI incentives available for manufacturers in the province. Of the 39 interviewed manufacturers, 31(79.5%) indicated having no knowledge at all of the incentives, whilst 6 (15.4%) knew of the existence of the incentives but had limited knowledge to enable them to apply. Only two of the sampled manufacturers are active beneficiaries of the DTI incentives in the province, and these are Olive SA and Redsun Dried Fruits and Nuts.

Although there is a general lack of awareness by manufacturers in the province, it certainly differs across the industries of manufacturers sampled. For instance, 10% of the sampled manufacturers is in the clothing and textile industry. It can be noted that none of these respondents are beneficiaries of the Production Incentive Programme or the Clothing and Textile Competitiveness Improvement Programme, indicating a serious lack of awareness. On the other hand, Olive SA are beneficiaries of the Manufacturing Investment Programme, whilst Redsun Dried Fruits and Nuts benefitted from International Trade Exhibition Assistance, which portrays their awareness of the incentives offered by DTI. It can thus be concluded that certain industries in the province are ahead of others in as far as awareness of the incentives is concerned.

The fact that the administration of the DTI incentives is a national competency may possibly be detrimental to potential manufacturers in provinces who either lack awareness or sufficient information to apply for the incentives. As such, it is critical for provincial government to bridge this gap through firstly, robust marketing and awareness campaigns. This recommendation was echoed by most respondents, who indicated their need for information. Collaborated information sessions between provincial government and DTI, in the form of workshops and indabas thus need to be deliberated. Secondly, there is a need for provincial government to act as an intermediary between provincial manufacturers and the DTI, as the application process is considered complex by certain respondents.

The eligibility requirements set in some of the incentives could possibly be restrictive causing impairments for some manufacturers. Whilst setting eligibility requirements on the DTI incentives assists with the ease of administration, the concern is that they may be too restrictive on the intended beneficiaries. For instance, using the minimum annual income requirement as an example, can be tricky. An important finding of this study, is that the thresholds set nationally disqualify some of the provincial manufacturers.
By way of an example, the Black Business Supplier Development Programme ideally offered to small black owned enterprises, funds enterprises with a turnover of R250 000 to R35 million per annum.
This set annual turnover threshold would immediately disqualify the 6 respondents in the province, who declared an annual income below R150 000. The same is true when minimum annual output level is set as an eligibility requirement. All manufacturers whose output is below the set threshold would be disqualified for applying as such. Again, provincial government has a role to play in commissioning a study that will inform the threshold levels suitable for manufacturers in the province. This would assist in making informed recommendations to the DTI or to inform future developments around tailor made provincial incentives, should the need be.

4. Recommendations

The main reason cited by manufacturers for the unsatisfactory uptake of the DTI incentives in the province is lack of awareness or inadequate information to warrant application for incentives. Based on this, it is recommended that provincial government plays the intermediary role to bridge this identified gap. It is suggested that a collaborated effort between provincial government and the DTI be explored as means to marketing and ensuring awareness by the provincial manufacturers. In addition, manufacturers should be afforded platforms for sharing of knowledge as there seems to be huge information gaps amongst the peers.

To properly channel the information to the relevant and intended manufacturers, compilation of a comprehensive database of provincial manufacturers is recommended. The database should classify manufacturers according to industry and size i.e. small business etc. for monitoring purposes and to assist with strategic development of manufacturing sector.

Support should be provided to manufacturers applying for incentives and dedicated officials must receive training from the DTI. Regular information sessions, workshops and indabas to educate businesses on various incentives available should be held. It is also proposed that the relevant officials visit potential beneficiaries to assess the operations and impact they have on local communities. In addition incentives must be tailor-made to assist the type of businesses/ manufactures operating in the province. Local Economic Development (LED) units in municipalities must be properly capacitated to promote DTI incentives using the established forums.

Uptake of incentives needs consideration for inclusion in the Key Results Area (KRA) of either or both the Integrated Economic Development Services (IEDS) and Trade and Sector Development (TSD) programmes within the Department of Economic Development and Tourism. In so doing, targets can be set for awareness or information session for incentives. Agreement should be reached that the programmes focus on certain incentives based on the comparative and competitive advantages of the province.

Another investigation has to be conducted to analyse the uptake of initiatives and funding models by other relevant departments like Agriculture, Mineral Resources, Energy and Tourism. These incentives are more in line with the priority sectors in the province, like Agriculture and Agro processing, Tourism, and Mineral beneficiation.

5. Way Forward

a) Present the findings to Senior Management Committee (SMAC) of the Department of Economic Development and Tourism.
b) Organise a meeting with the DTI/sector departments regarding incentives in the priority sectors of the province.

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